



Capital
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Confidential Information

**FCA Investigation: ED&F Man Capital Markets Limited ("MCM")
Trade information relating to E D & F Man Professional Trading (Dubai) Limited ("MPT")
FCA Ref: ENF WS00377-CIR001**

This Memorandum refers to the request for further information received by MCM on 19 March 2018 by email via MCM's lawyers, Rosenblatt (the "Information Request").

"The emails provided by your client show only instructions from the MPT desk, but no underlying client order or instruction for those trades. Therefore in order to respond fully to point 3 of CIR001, please provide the client instruction or order or confirm if the MPT trades were made on a proprietary basis.

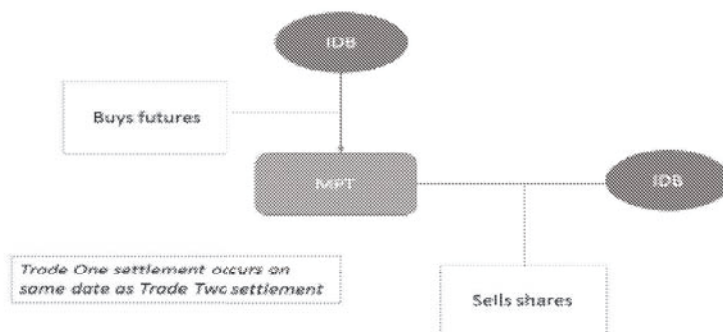
If the trades were made on a proprietary basis, please provide the pre-existing business records confirming this was the case. For the avoidance of doubt, to the extent there was any proprietary trading, your client is hereby required ... to provide to me the following specified documents or documents of a specific description of information...

- documentation showing MPT's source of stock, e.g. confirmation that MPT was long and source of that stock or record showing from where the stock was borrowed."

(a) MPT traded on a proprietary basis as a cleared client of MCM. MCM did not, and does not trade, on a proprietary basis.

(b) The attached Excel files reflect MCM's records for MPT, relating to the relevant Danske and Novob transactions. The information source for the transactions is the internal Shadow system which has different environments to maintain segregation of different entities and structures. The MPT trading records (provided here) are from the separate Shadow environment called D1. The information provided previously from the perspective of MCM's Equity Finance Desk and MCM's IDB Desk were from MCM's main Shadow environment E1, and also from Shadow environment R1 which was used for transactions settling through ICBC. As the information comes from the same system, just different environments, the MPT transactions are in the same format as MCM transactions which should enable these transactions to be matched easily against the information previously provided by MCM. The cross references to orders and instructions has also been added, again for ease of reference

MCM's understanding of MPT's trading strategy in respect of the relevant transactions was for MPT to enter into a short sale of stock to an Interdealer Broker ("IDB") and hedge that sale by buying a future in the same stock ("Trade One").

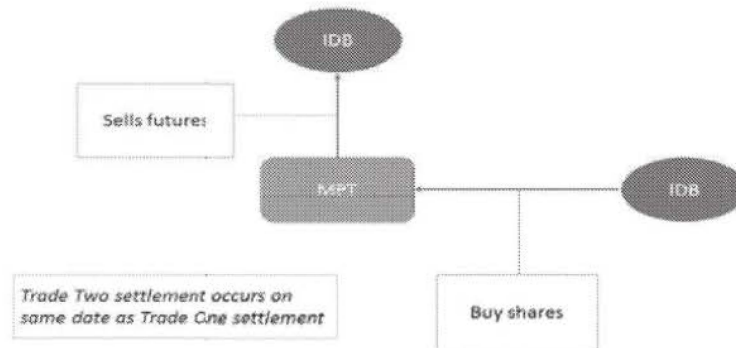




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Some days later, MPT would buy stock from an IDB and this time hedge the purchase by selling a future ("Trade Two").



The sale and purchase of the stock would be executed with the same settlement date, which meant that MPT had a covered short position. Therefore, as MPT held effectively a matched position MPT did not need to hold a long position or borrow the stock. For MPT this was part of an arbitrage strategy based on the difference between the price of the stock sold and the stock purchased.

The transactions were executed by Chris Henstock of MPT and as will be noted from the copy orders and instructions previously provided by MCM, Chris would check with the MCM Equity Finance Desk that they had sufficient credit line available to settle a particular transaction before giving MPT's order to the relevant IDB. As MCM was acting as MPT's back office, the transactions were effectively given-up to MCM to settle, the MCM Equity Finance Desk would then receive communications directly from the relevant IDB. These transactions were properly instructed and settled transactions in accordance with normal market practice and as illustrated in the detailed settlement examples previously provided the FCA in August and September 2016.

28 March 2018